NURSING HOME FACTS

Who we serve – the most frail and needy older Montanans. Montana's most vulnerable elderly - people who can no longer care for themselves. …hen even the most loving families find it impossible to deal with the extreme physical and mental disabilities of their loved ones, they come to us for help. Because of their many needs, these individuals require 24-hour care and are not candidates for other less intense services. Normally, these individuals have used all of their savings paying for their care, have sold their homes and have otherwise impoverished themselves. Any income, including their social security checks, are applied to the cost of their care. They get to keep $50 per month to meet any personal needs they may have such as shoes, clothing, hair cuts and the like. These are people who have worked hard all their lives, paid taxes and contributed to their communities, but now they are old and sick and need our help.

The role of Medicaid in nursing homes - 60% of our customers are on Medicaid. The state of Montana - through the Medicaid program - has taken on the responsibility of paying for the care of those who cannot afford their own care. Over 60% of the people in our nursing homes are on Medicaid. Because so many of those we care for are on Medicaid, and because the state has accepted responsibility for those on Medicaid, the state is our partner in assuring that these people get good care. Our ability to hire enough staff and to pay them a living wage, as well as our ability to pay our other expenses, is all dependent on whether the state pays us enough to get the job done.

Impact of inflation - what happens when Medicaid fails to recognize our cost increases? We are experiencing large increases in the cost of food, medical supplies, utilities, health insurance, liability insurance, labor and basic every day necessities. Our facilities are struggling. Some have reduced hours and staff, frozen wages, or taken other steps to reduce costs - steps that also reduce care. Some have increased the rates of those who pay for their own care, and some have asked local taxpayers to provide additional support. The cost increases we are experiencing are real and do not disappear because the legislature doesn't provide adequate funding.

Medicaid rates are significantly less than the cost of providing care. The current average rate paid to a nursing facility is $162.67 for each day of care while the current average cost is about $187.36 for each day of care. On average, nursing homes currently lose about $25 per day of care provided to Medicaid beneficiaries. Nursing home rates were cut 2% effective July 1, 2011.

Direct care wage increases have been specifically funded by the legislature. Nursing homes have worked hard, with help from the legislature in the form of funds directed to wages, to improve wages to our direct care workers and to distance their wage rates from the minimum wage. This is necessary to attract needed staff, particularly CNA's. Our workers provide the most basic and intimate types of care to residents no longer able to do them for themselves. They tend to their personal hygiene needs as well as other physical, emotional and spiritual needs - often taking the place of absent family. This work can be back-breaking and physically and emotionally draining. To attract well-qualified people to this work we must place value on it through the wages we pay.

The 2009 legislature appropriated about $10M over the 2011 biennium to be used for wages and/or lump sum payments to nursing home workers. The funding was OTO (one time only) but there can be no doubt that the workers who received it used it the way they would use any other compensation. This money was not included in the Governor's budget for the 2013 biennium but was added by the legislature. However, the Governor's amendments to HB 2 reduced the appropriation by about 40% which means these workers will in effect earn $4M less over the current biennium than they did last biennium. This does not include wage cuts that may be occurring due to the 2% cuts to the rates paid to the facilities that employ these people.

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The state of Montana General Fund not attributable to the bed tax paid by nursing homes pays only about 15.2% of the cost of nursing home care. For most Medicaid services, the state pays about 34% of the cost. For nursing homes, it is substantially less because of two factors: (1) the patient pays a considerable portion because all but $50 per month of their income is used to pay for their own care; and (2) nursing homes pay a utilization fee (or bed tax) of $8.30 per day on all patient days (not just Medicaid) which raises considerable revenue to use as state match instead of using state general funds.

TOTAL AVERAGE RATE* $162.67

Paid by patient	31.00	(19.0%)
Paid by nursing home bed tax in state special revenue fund	13.49	(8.3%)
Paid by nursing home bed tax deposited in general fund	6.61	(4.1%)
Paid by State General Fund (non-bed tax)	24.69	(15.2%)
Paid by Federal government	86.88	(53.4%)

Nursing homes pay a "bed tax" to help fund nursing home care. Nursing homes pay a provider tax to help fund Medicaid rates. Total provider tax paid by nursing homes amounts to about $14.6 M annually. This money is used - instead of other state general funds or special funds - to match federal funds used to reimburse nursing homes. Nursing homes have paid this tax since 1992 to help assure the adequacy of Medicaid reimbursement rates.

Counties with nursing homes also help fund Medicaid rates for nursing homes through the intergovernmental transfer (IGT) program. Counties provide funding to the state and the funds are used to match with federal funds to enhance Medicaid payments to nursing homes. About $600,000 of funding from the IGT program are diverted from the lump sum payments to nursing homes and are used instead to support the base rates in the nursing home and community services programs. Changes at the federal level have reduced this program to a point where it is difficult for some counties to fully participate. Since the federal changes, this program has provided about $5 per patient day to county facilities and about $2 per patient day to non-county facilities - as lump sum payments. However, the amount increased substantially over the current biennium - to about $16 for counties and $8 to non-counties. These are considered one time only (OTO) funds and the amount has fluctuated wildly over the years so are not a reliable funding source for ongoing expenses.

The state knows what it takes to operate a nursing home that provides high quality of care. The state operates a nursing home in Columbia Falls. The budget for that facility has been increased to account for increased costs and the need for more staff to care for patients whose care needs continue to increase. The state is doing the right thing in that facility - they are providing excellent care. But, the state is currently spending about $300 per day of care in its own nursing home, while asking other nursing homes to do the job for $162 per day. The 2011 legislature provided an inflationary increase to MVH of about $10 per patient day, while cutting the per diem to other nursing homes.

State agencies receive inflationary increases as part of "current level". Government agencies receive inflationary increases as part of "current level" - to account for cost increases they know are coming - while those of us in the private sector have nothing for inflation in our current level appropriations.

Rose M. Hughes, Executive Director
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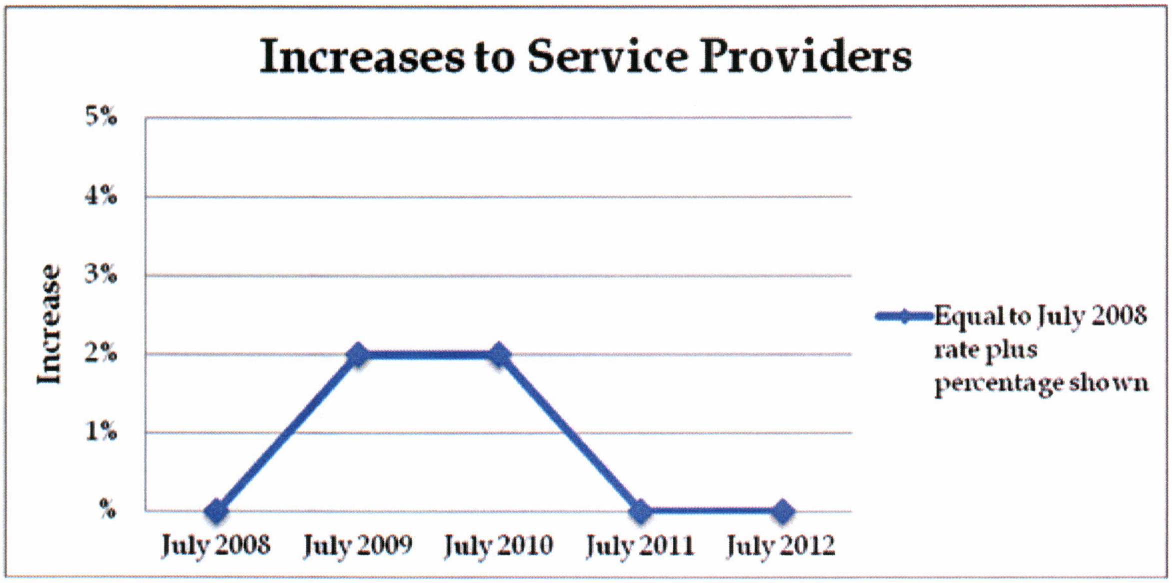
March 4, 2013

Long Term Care – Service Rate Increase

Proposal: **Increase the amount paid to the businesses who serve the state's clients to account for inflationary and labor increases to assure they can continue the current level of services and quality to those clients.** This proposal is not intended to provide additional services to people being served or to serve additional people. It is intended only to pay the increased cost of providing the same services. A significant cost increase is for wages for care givers and other staff, but the increased cost of food, utilities, health and liability insurance, medical supplies and other goods and services are also adding inflationary pressure for long term care service providers.

Why is this important? Failure to recognize inflation inherent in providing these services will result in less service, less quality, cost shifting to others using the services or a combination of these undesirable consequences - all to the detriment of the elderly and disabled Montanans who need these services, as well as to the care givers who provide services, facilities and agencies who oversee the care, and communities throughout the state.

Background: DPHHS Senior and Long Term Care Division contracts with private businesses and organizations to provide health care and related services to those who qualify for Medicaid and other state supported help. Services include nursing home care, personal assistance, home and community based services, and aging services to seniors and people with disabilities. Those businesses and organizations are currently being paid at about the same level they were paid in FY 2009. Service rates were increased by 2% on July 1, 2009. Although the legislature approved an additional 2% to be paid on July 1, 2010, the Governor withheld that increase as part of the 2010 budget cuts. On July 1, 2011, rates were cut by 2% - returning them to July 1, 2008 levels.



Long Term Care - Maintain Direct Care Worker Wages

Proposal: **Maintain funding for direct care worker wages that are now funded with one-time-only (OTO) funds.** This proposal maintains the current level of funding and is not an increase for direct care workers. This funding should be included in the Senior and Long Term Care Division base budget.

Why is this important? This funding is needed to maintain direct care worker compensation at current levels. Because the majority of long term care service expenditures are for direct care workers wages and benefits, under normal circumstances significant reductions in provider reimbursement rates generally give provider agencies few options for absorbing cuts other than to reduce the compensation package for their direct care employees in some way. However, the fact that the legislature also appropriated OTO funding for direct care wages enabled most provider agencies to temporarily avoid the reductions in employee compensation that normally would have occurred as a result of the 2% cut in reimbursement. Unfortunately, the fact that the money for direct care worker wages is an OTO appropriation that is scheduled to expire at the end of this biennium means that reductions in employee wages will almost certainly have to occur in FY 2014 if the appropriation is not renewed in some form.

Background: The 2011 Montana Legislature approved an OTO appropriation that was intended to enable providers of Medicaid long term care services funded through the Senior and Long Term Care Division (SLTCD) to maintain wages and lump sum payments to their direct care employees. The funding for direct care employee raises and payments in fiscal years 2012 and 2013 did not represent an increase in compensation to these workers, but was appropriated to maintain the level of compensation appropriated by the 2009 legislature for this purpose. However, the amount was reduced by about 40% in the Governor's amendments to HB2, so the amount appropriated did represent a cut in compensation to some workers. In addition, the direct care worker funding was accompanied by a corresponding 2% rate reduction for the same providers of Medicaid long term care services that employ the direct care workers who were targeted for increased pay. The general fund appropriation for the direct care worker compensation was approximately $3.3 million for the biennium, about $2.1M less than what was appropriated the previous biennium. The 2% service provider rate cut reduced the general fund appropriation for SLTCD Medicaid long term care services by about $2.2M for the biennium. Thus the employers of these workers experienced an overall 2% rate reduction and also received $2.1M less for their workers. On July 1, 2013, $3.3M in general fund in addition to the federal matching funds for worker wages will be cut unless reinstated during the 2013 legislative session.